AR81

Venpath Investments Inc.
Financial Statements
For the years ended
December 31, 2005 and 2004

Contents

Auditors' Report	2
Financial Statements	
Balance Sheets	3
Statements of Operations and Deficit	4
Statements of Cash Flows	5
Notes to the Financial Statements	6 - 13

BDO

Digitized by the Internet Archive
in 2025 with funding from
University of Alberta Library

https://archive.org/details/Venp4351_2005

BDO
Driving growth

BDO Dunwoody LLP
Chartered Accountants
and Consultants

1900, 801 – 6 Avenue S.W.
Calgary, Alberta Canada T2P 3W2
Telephone: (403) 266-5608
Fax: (403) 233-7833

Auditors' Report

To the Shareholders of
Venpath Investments Inc.

We have audited the balance sheets of Venpath Investments Inc. as at December 31, 2005 and 2004 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Signed BDO Dunwoody LLP"

Calgary, Alberta
February 28, 2006

BDO Dunwoody LLP is a Limited Liability Partnership registered in Ontario

Venpath Investments Inc.
Balance Sheets

December 31	2005	2004
Assets		
Current		
Cash and cash equivalents	**$ 3,674,037**	$ 3,765,706
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	**$ 87,280**	$ 62,862
Shareholders' equity		
Share capital (Note 4(b))	**5,153,842**	5,153,842
Contributed surplus (Note 5)	**6,000**	6,000
Deficit	**(1,573,085)**	(1,456,998)
	3,586,757	3,702,844
	$ 3,674,037	$ 3,765,706

Approved on behalf of the Board:

Signed "L. Daniel Wilson" Director
L. Daniel Wilson

Signed "Richard D. Tingle" Director
Richard D. Tingle

The accompanying notes are an integral part of these financial statements.

BDO

Venpath Investments Inc.
Statements of Operations and Deficit

December 31	2005	2004
Revenue		
Interest	$ 112,465	$ 19,718
Expenses		
General and administrative	5,830	6,564
Management and consulting fees	89,990	95,340
Professional fees	10,800	15,909
Stock-based compensation expense	-	6,000
	106,620	123,813
Income (loss) from operations	5,845	(104,095)
Other expenses		
Foreign exchange loss	(121,932)	(214,307)
Write-down of investments (Note 6)	-	(247,650)
	(121,932)	(461,957)
Loss for the year	(116,087)	(566,052)
Deficit, beginning of year	(1,456,998)	(890,946)
Deficit, end of year	$ (1,573,085)	$ (1,456,998)
Basic and diluted loss per share	$ (0.016)	$ (0.078)
Weighted Average Number of Common Shares	7,233,667	7,233,667

The accompanying notes are an integral part of these financial statements.

BDO

Venpath Investments Inc.
Statements of Cash Flows

December 31	2005	2004
Cash flows used in operating activities		
Loss for the year	$ (116,087)	$ (566,052)
Items not affecting cash:		
Write-down of investments	-	247,650
Unrealized foreign exchange loss	121,932	214,307
Stock compensation expense	-	6,000
	5,845	(98,095)
Changes in non-cash working capital balances:		
Accounts receivable	-	4,815
Accounts payable and accrued liabilities	24,418	22,952
	30,263	(70,328)
Cash flows from investing activities		
Proceeds from sale of investments	-	2,410,500
Foreign exchange loss on cash related items	(121,932)	(164,846)
Increase (decrease) in cash	(91,669)	2,175,326
Cash and cash equivalents, beginning of year	3,765,706	1,590,380
Cash and cash equivalents, end of year	$ 3,674,037	$ 3,765,706

Cash and cash equivalents consist of:		
Cash	$ 14,965	$ 24,102
Short term deposits	3,659,072	3,741,604
	$ 3,674,037	$ 3,765,706

The accompanying notes are an integral part of these financial statements.

BDO

1. Nature of Operations

The Company was incorporated under the Alberta Business Corporations Act on September 9, 1998 as 798948 Alberta Ltd. On September 6, 2002, the Articles of Incorporation were amended to reflect the name change of the Company to Venpath Investments Inc. ("VPI").

2. Significant Accounting Policies

The financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality. The significant accounting policies are as follows:

(a) Cash and cash equivalents
Cash and cash equivalents consist of cash on hand, bank balances (including temporary bank overdrafts), and term deposits and investments with maturities of three months or less.

(b) Stock-based compensation plan
The Company has a stock-based compensation plan as described in Note 4(c). The Company accounts for its stock-based compensation programs using the fair value method. Under this method, stock based compensation expense related to these programs is recorded in the Statement of Operations with the corresponding amount increasing contributed surplus over the vesting period

(c) Financial instruments
The Company holds various financial instruments. Unless otherwise indicated, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

2. Significant Accounting Policies – continued

(d) Long-term investments
Long-term investments not subject to control, joint control or significant influence are carried at cost. Investments are only written down if there is a permanent decline in market value. The market valuation of private companies held in the investment portfolio is determined by recent third party transactions when available. If a recent transaction has not occurred, valuation is determined in accordance with guidelines established that are based upon generally accepted valuation parameters.

(e) Revenue recognition
Income from investments is recognized as interest accrues, as dividends are declared, and as sales of investments take place.

(f) Foreign currencies
Foreign currency transactions are translated to Canadian dollars by use of the exchange rate in effect at the transaction date. At year-end, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date. Preference shares of foreign operations are translated at historic rates, unless redemption is required or imminent, in which case the current rate is used. Foreign exchange gains and losses are included in income in the current period.

(g) Per share information
The Company has applied the treasury stock method to determine the dilutive effect of stock options, in accordance with standards applied by the Canadian Institute of Chartered Accountants. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. Per share amounts are calculated based on the weighted average number of common shares outstanding during the period.

(h) Future Income taxes
The liability method of tax allocation is used in accounting for income taxes. Future tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and measured using substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. Future tax assets are recognized only to the extent that they are more likely than not to be realized.

3. Long-term Investments

	2005	2004
Cicada Corp. (i)	$ -	$ -
RW Smith and Associates (ii)	-	-
	$ -	$ -

(i) In 2004 the Company sold all of its investment in Cicada Corp. ("Cicada") to a related party (Note 6) for proceeds of $1,500,000 USD ($1,848,000 CAD). No gain or loss was recognized on this transaction.

(ii) In 2004, the Company sold all of its investment in RW Smith and Associates ("RW Smith") to a related party (Note 6) for proceeds of $500,000 USD ($616,000 CAD). No gain or loss was recognized on this transaction.

4. Share Capital

(a) Authorized
Unlimited number of common, voting shares
Unlimited number of preferred shares, terms and conditions determined as issued

(b) Issued

	Number	Amount
Common shares		
Balance, December 31, 2004 and 2005	7,233,667	$ 5,153,842

(c) Stock Options
The Company has a stock option plan available to directors, officers, employees, consultants and management company employees of the Corporation. Under the Plan, the Company is authorized to issue options to purchase an aggregate of 1,446,733 shares, representing 20 percent of the issued and outstanding common shares. Unless otherwise approved by the board, the options vest on a quarterly basis from the date of grant as to 1/6 per quarter over 18 months and expire five years from the date of grant. The number of common shares to be issued per option is to be determined by the Board at the time the options are granted.

Stock options to acquire common shares are granted to directors, officers, employees, consultants and management company employees from time to time at exercise prices equal to or greater than the market value of the shares at the date of the grant less any applicable discount permitted by the Exchange.

On February 27, 2004 the Company granted 120,000 options to purchase common shares to the Board of Directors. The options vested immediately, are exercisable at $0.13 per share, and are exercisable for a period of five years.

	Number of Shares	Option Price per Share	Weighted Average Exercise Price
Outstanding December 31, 2004	**356,667**	**0.24**	$ 0.24
Options expired	**236,667**	**0.30**	0.30
Outstanding December 31, 2005	**120,000**	**-**	$ 0.13

BDO

4. Share Capital – continued

(c) Stock Options - continued

The options that are vested at December 31, 2005 are summarized as follows:

Options Outstanding	Exercise Price	Options Exercisable and Outstanding at December 31, 2005	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price
120,000	**0.13**	**120,000**	**3.84**	**0.13**

The options that are vested at December 31, 2004 are summarized as follows:

Options Outstanding	Exercise Price	Options Exercisable and Outstanding at December 31, 2004	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price
120,000	0.13	120,000	4.84	0.13
236,667	0.30	236,667	0.33	0.30
356,667		356,667	2.67	0.24

(d) Escrow

At December 31, 2005 nil (2004 - nil) common shares were held in escrow. All shares were released from escrow on June 30, 2004 as per the terms of the escrow agreement.

5. Stock Compensation

In 2004, the Company had recorded a stock-based compensation expense of $6,000

The fair value of $0.05 per option was calculated using the Black-Scholes Model with the following weighted average assumptions:

- Risk free interest rate of 5.0%
- Expected life of 5 years
- Expected dividends of zero
- Expected volatility of 34%

6. Related Party Transactions

During the year the Company expensed $26,750 (2004 - $33,189) in management fees to a company controlled by an officer of the Company, and $51,750 (2004 - $51,749) in management fees to companies controlled by directors and officers of the Company. The Company also incurred legal fees of $100 (2004 - $4,638) with a law firm in which a director of the Company is a partner.

These related party transactions occurred in the normal course of operations, have been measured at the agreed to exchange amounts.

In 2004, the Company sold its investments in Cicada and RW Smith to the Company's controlling shareholder for total proceeds of $2,000,000 USD ($2,464,000 CAD). The transaction was recorded at carrying value after allowing for a write-down of $247,650 based on a fairness opinion on the offer to purchase from an unrelated third party prior to the sale.

Included in accounts payable are balances totaling $75,000 (2004 - $50,000) payable to a company controlled by a director of the Company.

7. Income Taxes

(a) The components of future income tax balances are as follows:

	2005	2004
Nature of temporary differences		
Non-capital loss carry-forwards	**$ 154,600**	$ 155,300
Share issue costs	**1,100**	2,300
Other	**1,700**	1,800
	157,400	159,400
Valuation allowance	**(157,400)**	(159,400)
Future income tax asset	**$ -**	$ -

No future tax asset has been recognized as the test of more likely than not realization has not been met.

7. Income Taxes – continued

(b) The income tax provision differs from the calculated tax obtained by applying the combined federal and provincial tax rate to earnings before income taxes. These differences are accounted for as follows:

Loss for the year before income taxes	**$ (116,087)**	$ (566,052)
Corporate tax rate	**33.6%**	33.6%
Anticipated income tax recovery	**$ (39,000)**	$ (190,200)
Change in valuation allowance	**-**	21,600
Unrealized foreign exchange loss (gain)	**41,000**	72,100
Unrealized loss on investments	**-**	83.200
Effect of rate change	**-**	11,600
Other	**(2,000)**	1,700
Income tax recovery	**$ -**	$ -

(c) The Company has non-capital losses of approximately $460,000, which are available to reduce taxable income in future period. These losses expire as follow:

2008	30,000
2009	78,000
2010	90,000
2011	147,000
2015	115,000

The Company has capital losses of approximately $820,000 which are available to reduce capital gains in future periods, with no expiry date.

8. Financial Instruments

The Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to foreign currency, credit, and interest rate risk. The Company manages its exposure to this risk by operating in a manner that minimizes its exposure to the extent practical.

(a) Foreign currency rate risk management

Management of the Company anticipates that the bulk of its future investments will be denominated in US dollars. As such, management has elected to keep the majority of its cash reserves in US dollar denominated accounts. The Company does not have any exposure to highly inflationary foreign currencies. The Company carries the following items in US dollars, and accordingly is subject to fluctuations in exchange rates.

	2005	2004
Cash (CAD)	**$ 2,834**	$ 593
Cash equivalents (CAD)	**$ 3,671,203**	$ 3,741,604

(b) Credit risk

All of the Company's cash and cash equivalents are held at one Canadian chartered bank and a significant portion of cash equivalents was in term deposits with 30 days maturity term.

VENPATH INVESTMENTS INC.
(the "Corporation")

MANAGEMENT'S DISCUSSION & ANALYSIS

FORM 51-102F1
--Annual--
FOR THE YEAR ENDED DECEMBER 31, 2005

This Management Discussion and Analysis is prepared in accordance with Regulation 51-102 on Continuous Disclosure Requirements. It should be read in conjunction with the audited financial statements for the year ended December 31, 2005 and the accompanying notes contained therein. Unless otherwise indicated, the term "Corporation" refers to VenPath Investments Inc. The Company's financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

Certain statements in this Management Discussion and Analysis may be forward-looking. Forward-looking statements are subject to risks and uncertainties that may cause the Company's actual results to be materially different from any future results expressed or implied by such forward-looking statements. These risks and uncertainties are discussed herein and in other securities regulatory filings. The reader is cautioned against the risk of giving excessive credibility to these forward-looking statements.

This document has been approved by the Audit Committee and Board of Directors of the Corporation.

Note: References to "fiscal 2004" in this document refer to the financial year ending December 31, 2004. References to "fiscal 2005" in this document refer to the financial year ending December 31, 2005.

1. Date of Information

The date of the information contained in this Management Discussion and Analysis is April 20, 2006.

2. Overall Performance

Current Status

The Corporation did not undertake any material activities during the year ended December 31, 2005. The Corporation is an investment company whose investment focus is companies engaged in the insurance, banking and financial services industries and in technologies that facilitate the more efficient operation of these industries. At the moment, the Corporations assets are all held in cash and cash equivalents. As an investment company, the Corporation's operations during the year ended December 31, 2005 were minimal. The Corporation did not make any new investments during fiscal 2005.

The Corporation has been, and remains, at a crossroads in its business development focus. The directors of the Corporation have been analyzing various paths to pursue for the Corporation, including both investment company models and operating company models. As the directors and management of the Corporation continue this analysis, management of the Corporation have consulted with the principal shareholder of the Corporation to obtain its input into the Corporation's future. While the Corporation is seeking input from its principal shareholder, any future transactions must be supported and approved by the Board of Directors of the Corporation. Ultimately, the directors and management of the Corporation have committed internally to a timetable that results in the announcement and pursuit of a new direction for the Corporation within the first half of the 2006 financial year. In the interim, the Corporation is focused exclusively on identifying and evaluating potential opportunities and limiting general and administrative expenses during the intervening period.

Historical Transactions

The Corporation has made, and subsequently disposed of, two investments to this point in its operating history. The first investment made by the Corporation was a $1,500,000 USD purchase of preferred shares of Cicada Corp. ("Cicada"), an Oklahoma-based provider of end-to-end reference data validation and cleansing solutions to support risk management, trading and settlement, regulatory compliance and other critical applications in the financial data industry. The second investment made by the Corporation was a $500,000 USD purchase of common and preferred shares of R.W. Smith & Associates Inc. ("RWS"). RWS is a Washington-based brokers' broker specializing in matching bids and offers for municipal bond trading activity in the United States.

The original investment by the Corporation in Cicada was completed in October 2002 and the investment in RWS was agreed to in December 2002 prior to completion of the Corporation's Qualifying Transaction, and closed in January 2003. Both of the investments made in Cicada and RWS were completed as part of an investment syndicate with the other co-investors being members of the Investors Guaranty Global Alliance ("IGGA"). The IGGA is an alliance of a number of international companies engaged in banking, insurance and other areas of finance who have allied themselves through the IGGA to pursue best business practices and mutual business opportunities. Included in the IGGA are Investor's Guaranty Fund, Ltd. ("IGF"), a Bermuda-based registered insurance company, and Andover Capital SPC, Ltd. ("Andover"), the largest shareholder of the Corporation which holds approximately 85% of the Corporation's common shares.

During the financial year ended December 31, 2004, it became clear to management of the Corporation that additional outside financing would be required to sustain the ongoing operations and to fund the planned development of the businesses of both Cicada and RWS. The Board of Directors of the Corporation determined at that time that participating in any future financings with respect to Cicada or RWS would be unwise in that it would place the Corporation in a position with severe concentration risks with respect to these two investments. The combination of these two investments represented approximately 60% of the net asset value of the Corporation at the time and, as an investment company, the Board of Directors viewed increasing this concentration any further as being contrary to its mandate of protecting shareholder value. Rather than increasing its concentration risk, management of the Corporation

determined that it would be more prudent to reduce the investment concentration risk of the Corporation's portfolio in order to limit the Corporation's exposure to any particular investment.

Having been apprised by the Board of Directors of the Corporation that it was unwilling to consider committing additional investment funds to Cicada or RWS at this time as part of an investment syndicate, Andover submitted to the Corporation an offer to acquire the Corporation's interests in Cicada and RWS based on Andover's desire to remove any potential conflicts of interest between Andover's future investments in Cicada and RWS and the interest of the public shareholders of VenPath. The Corporation was advised that Andover's future investment in Cicada and RWS could take the form of secured debt obligations and could negatively impact on the residual value of the preferred and common shares of Cicada and RWS currently owned by VenPath.

The Andover offer for all of the Corporation's interest in Cicada was for $1,500,000 USD. The Andover offer for all of the Corporation's interest in RWS was $500,000 USD. Both components of the Andover offer were equal to the initial purchase price of the interests by the Corporation. As such, notwithstanding the business difficulties encountered by both RWS and Cicada since the date of the initial investment by the Corporation, the Andover offer presented the Corporation with the opportunity to recover its original investment (denominated in USD).

Upon receipt of the offer from Andover, three members of the Board of Directors indicated that they would be abstaining from the review and analysis of the offer due to potential conflicts of interest. Dr. Douglas Love advised that he serves as a member of the Executive Directorate of IGF and Paul Gurtler advised that he serves as a member of the Board of Directors of IGF. IGF is a member of the IGGA and has an indirect economic interest in certain segregated portfolios of Andover. As such, Messrs. Love and Gurtler both advised that they considered their IGF involvement as creating a potential conflict of interest with respect to the Andover offer. L. Daniel Wilson also advised of a potential conflict of interest as a result of his relationship as a legal advisor and officer of various members of the IGGA, including his past service as legal counsel to Andover. As such, Mr. Wilson also abstained from participating in the review and approval of the Andover offer.

Based on this information, an independent committee of the Board of Directors was created for the purposes of evaluating the Andover Offer (the "Independent Committee"). The Independent Committee was comprised of Ian Dundas and Richard Tingle. The Independent Committee retained Haywood Securities Inc. ("Haywood") of Calgary, Alberta for the purpose of providing a Valuation and a Fairness Opinion with respect to the Andover Offer. The Haywood Valuation and Fairness Opinion were delivered to the Independent Committee on October 1, 2004.

After completing its internal review and considering the conclusions of the Valuation and Fairness Opinion, the Independent Committee recommended to the Board of Directors that the Corporation accept the Andover offer with respect to the transfer of both the Cicada and RWS interests to Andover. The Independent Committee concluded that the Andover offer represented fair value for the Cicada interest and the RWS interest. Based on its analysis of the information provided by Cicada and RWS, the Independent Committee advised the Board of Directors that: (i) retaining the Cicada and RWS interests posed a significant risk of a material loss in investment value for the

Corporation based on the Independent Committee's assessment of Cicada's and RWS's business prospects, including their projected requirements for additional funding; (ii) the Andover offer represented the best identified alternative for maximizing the investments of the Corporation; (iii) the value of the Andover offer represented a premium to the market value of the Cicada and RWS interests based on the analysis of Haywood; and (iv) increasing the Corporation's investment in either Cicada or RWS by participating in future financings would be inconsistent with prudent risk mitigation strategies for the Corporation by unduly increasing concentration risk with respect to the investments.

The Board of Directors accepted the recommendation of the Independent Committee on November 8, 2004. An Information Circular dated November 8, 2004 was mailed to the shareholders of the Corporation for a Special & Annual Meeting held on December 6, 2004 at which the proposed disposition of the Cicada and RWS interests was submitted to the minority shareholders of the Corporation. Resolutions approving of the disposition of the Cicada and RWS investments were unanimously approved by the minority shareholders at the meeting on December 6, 2004. The closing of the sale of the investments was completed prior to the year end of the Corporation on December 31, 2004. The result is the Corporation completed fiscal 2004 holding only cash and cash equivalents, a position which has remained constant during the year ended December 31, 2005.

Maintenance of Shareholder Value

The Corporation retains the largest component of its cash reserves in U.S. denominated accounts. Although this policy results in accounting losses or gains each quarter, management of the Corporation continues to believe that this is the most reasonable policy over the long term.

The Corporation believes that it is effectively minimizing all non-core expenditures and obtaining the maximum value for each dollar spent on general and administrative activities. General and administrative expenses for fiscal 2005 remained at a low level. Minimizing non-investment related expenditures will continue to be a priority of the Corporation.

The Board of Directors and management of the Corporation have determined that preservation of shareholder value remains a prime concern of the Corporation and, as such, the Corporation has been cautious in proceeding with any new investments particularly given the previously discussed ongoing reevaluation of the Corporation's business model.

3. Selected Annual Financial Information

The Corporation completed its Qualifying Transaction on December 31, 2002. The following table discloses the selected annual financial information for the three financial years subsequent to the date of the Qualifying Transaction.

Year Ended December 31	2003 ($)	2004 ($)	2005 ($)
Total revenue	17,023	19,718	112,465
Net earnings (loss)	(884,344)	(566,052)	(116,087)
Basic and diluted earnings per share (1)	(0.10)	(0.08)	(0.02)
Total assets	$4,302,806	$3,765,706	$3,674,037
Long term debt	Nil	Nil	Nil
Dividends per share(3)	--	--	--

Notes:

1. Based on 7,233,667 common shares outstanding.
2. The Corporation has not paid out any dividends on its common shares and does not have any current plans to pay dividends on its common shares.

4. Results of Operations

As a pure investment company, the operational activities of the Corporation are principally limited to: (a) monitoring the existing investments of the Corporation; (b) identifying and performing due diligence on additional potential investments; (c) identifying and pursuing additional sources of potential investment capital; and (d) completing activities necessary to remain in regulatory compliance as a public entity.

Management of the Corporation has focused, and will continue to focus, on minimizing general and administrative costs associated with the public operations of the company to ensure that as much of the financial resources of the Corporation as possible are available for investment. The Corporation has paid a total of $50,000 plus GST during the year ended December 31, 2005 to consulting companies owned by its Chief Executive Officer and its Chief Financial Officer ($6,250 per quarter + GST each). The Corporation paid $25,000 subsequent to December 31, 2005 to its Chairman and Chief Investment Officer for services provided during the 2005 fiscal year. The Corporation also paid to this individual subsequent to the end of fiscal 2005 the accrued amounts carried as a payable at year end in the amount of $50,000 relating to services provided to the Corporation in fiscal 2003 and fiscal 2004.

The Corporation currently has an undetermined business model for future growth and development. As such, investment in the Corporation is suitable only for those individuals with a long-term investment horizon and a high tolerance for risk.

The Corporation had revenue of $112,465 during the year ended December 31, 2005, all of which was attributable to interest earned on the Corporation's cash holdings. As a result of the foreign currency losses during fiscal 2005 in the amount of $121,932 on U.S. dollar cash holdings, the Corporation had a net loss of $116,087 during the year ended December 31, 2005.

Total expenses during the year ended December 31, 2005 were $106,620, compared to $123,813 during fiscal 2004. A full break-down of all expenses is included in chart form later in this document under "General and Administrative Expenses".

The Corporation has elected to keep the majority of its cash resources for future investment denominated in U.S. dollar accounts. The Corporation accounts for and reports its financial performance in Canadian dollars. As a result of this strategy, the Corporation's income statement on a going-forward basis may be affected materially by the relative exchange rate fluctuations between the Canadian and U.S. dollar.

5. Summary of Quarterly Results

The following information summarizes the financial results of the Corporation for the eleven quarters since the completion of its Qualifying Transaction. All amounts are in Canadian dollars:

Quarter Ending	Revenue ($)	Operating Income (Loss) ($)	Foreign Exchange Gain (Loss) ($)	Net Income (Loss) After Foreign Exchange ($)	Earnings (Loss) Per Share (Non-diluted)[1]
March 31, 2004	3,871	(29,923)	41,287	11,364	0.002
June 30, 2004	3,491	(27,860)	58,487	(135,783)	(0.019)
September 30, 2004	5,129	(70,243)	(156,612)	(226,855)	(0.031)
December 31, 2004	7,226	(57,310)	(157,468)	(214,778)	(0.030)
March 31, 2005	22,031	(6,192)	23,300	17,108	0.002
June 30, 2005	27,208	2,172	48,911	51,083	0.007
September 30, 2005	30,295	8,092	(194,921)	(186,829)	(0.026)
December 31, 2005	32,931	1,776	777	2,553	0.0004

<u>**Note:**</u>

1. Calculated based on 7,233,667 common shares outstanding.

6. Liquidity

As of December 31, 2005, the Corporation had $2,833.66 CDN cash in Canadian dollar denominated accounts and $3,156,666.35 USD in U.S. dollar denominated accounts. The Corporation did not have any material liabilities as at December 31, 2005 other than the accounts payable and accrued liabilities of $87,280.

The Corporation's ongoing management fees and general and administrative expenses averaged less than $10,000 per month during fiscal 2005. As such, the Corporation has sufficient liquid financial reserves to meet its obligations for the foreseeable future.

7. Capital Resources

The Corporation's capital resources are currently limited to its liquid investments as discussed under the "Liquidity" section. The Corporation does not have any bank lines, nor does it intend to pursue any debt instruments at the current time. In the future, the Corporation's growth may be funded by issuance of additional equity securities or through income from its cash or equity investments.

The absence of ability to raise additional equity capital could materially impact the potential growth of the Corporation.

8. Transaction with Related Parties

During the 2005 fiscal year the Company expensed $26,750 (2004 - $33,189) in management fees to a company controlled by an officer of the Company, and $51,750 (2004 - $51,749) in management fees to companies controlled by directors and officers of the Company. The Company also incurred legal fees of $100 (2004 - $4,638) with a law firm in which a director of the Company is a partner.

These related party transactions occurred in the normal course of operations, have been measured at the agreed to exchange amounts.

In fiscal 2004, the Company sold its investments in Cicada and RW Smith to the Company's controlling shareholder for total proceeds of $2,000,000 USD ($2,464,000 CAD). The transaction was recorded at carrying value after allowing for a write down of $247,650 based on a fairness opinion on the offer to purchase from an unrelated third party prior to the sale.

Included in accounts payable at year end for fiscal 2005 are balances totaling $75,000 (2004 - $50,000) payable to a company controlled by a director of the Company. These amounts were paid subsequent to the end of fiscal 2005.

9. Proposed Transactions

As at the date of this document, the Corporation does not have any pending transactions. Management of the Corporation is continuing to work on the details of a corporate development plan that it will seek to finalize in the first half of fiscal 2006. Additional details on the corporate development plan will be announced once finalized and approved by the Board of Directors.

10. Changes in Accounting Policies Including Initial Adoption

There were no accounting policy changes during the year ended December 31, 2005.

11. Financial Instruments and Other Instruments

The Corporation invests its liquid capital in US and Canadian dollar denominated bank instruments with relatively short maturities (30 days or shorter). While this policy limits the yield on the Corporation's liquid investments, management has determined that it is in the best interests of the Corporation to maintain its cash assets in such a manner that they can be made available for investment within a short time period.

12. General & Administration Expenses

The following table summarizes the general & administrative expenses, management and consulting fees and professional fees incurred by the Corporation for the four quarters of fiscal 2005:

	Quarter Ended Mar. 31/05	Quarter Ended Jun. 30/05	Quarter Ended Sept.30/05	Quarter Ended Dec. 30/05
Office Rent	$1,605.00	$1,605.00	$1,605.00	$ --
Registrar & Transfer Agent Costs	3,046.62	422.01	911.42	1,503.77
TSX Venture Fees	3,049.50	2,556.65	--	--
Press Releases	--	--	--	--
Investor Communication	--	--	--	--
Management Fees	19,625.00	19,624.96	19,625.00	19,624.96
Audit Costs	--	700.00	--	10,000.00
Legal Fees	--	100.00	--	--
Other	896.77	28.09	72.90	26.55
TOTAL	**$28,222.89**	**$25,036.71**	**$22,214.32**	**$31,155.28**

13. Outstanding Securities

Shares Outstanding

The Corporation is authorized to issue an unlimited number of Common Shares, of which 7,233,667 Common Shares were issued and outstanding as at December 31, 2005. Total paid up share capital for the Corporation is $5,153,842. The Corporation is also authorized to issue an unlimited number of Preferred Shares, none of which are issued or outstanding at this time.

The holders of the Corporation's Common Shares are, subject to the rights, privileges, restrictions and conditions attaching to the shares of any other class, entitled to dividends as and when declared by the Board of Directors of the Corporation, to one vote per share at meetings of shareholders of the Corporation except meetings at which only holders of a specified class of shares are entitled to vote and, upon liquidation, to receive such assets of the Corporation as are distributable to the holders of the Common Shares.

The Preferred Shares are issuable in series. The Preferred Shares have priority over the Common Shares of the Corporation with respect to payment of dividends and distribution of assets in the event of liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, to the extent fixed in the case of each respective series, and may also be given such other preferences over the Common Shares of the Corporation as may be fixed in the case of each such series.

Options Outstanding

As of December 31, 2005, the Corporation had reserved a total of 120,000 Common Shares under a stock option plan to directors and consultants, which options entitle the holders thereof to acquire common shares of the Corporation as follows:

- 120,000 common shares at an exercise price of $0.13 per share with an expiration date of February 27, 2009.

On May 1, 2005, 236,667 options to purchase common shares at an exercise price of $0.30 per share expired.

Escrowed Securities

The Corporation currently does not have any securities under escrow. The Corporation successfully applied for the release of 6,279,667 common shares being held under two escrow agreements prior to the end of fiscal 2004.

14. Disclosure Controls and Procedures of Financial Reporting

Although the Company continues to refine its disclosure controls and procedures from time to time, the CEO and CFO have concluded that given the small size and scope of the company, during 2005, the process was effective enough to ensure material information was accumulated and communicated up to management in sufficient time for management to make decisions regarding the Company's disclosure required by securities legislation.

15. Additional Information

Additional information on the Corporation is available in the Annual Information Form filed by the Corporation annually on the SEDAR web site accessible at www.sedar.com.